



MAKING CENTS

FIRST QUARTER 2007

New Look! The CalPERS quarterly newsletter has a new design — delivering the same great news and updates as always, but with a fresh new design!

GET READY — GREAT CHANGES ARE COMING TO YOUR PLAN

CalPERS — celebrating
75 years of providing
financial and health
security to California
public employees,
retirees, beneficiaries
and their families.

This information is for general discussion purposes only. Prior to investing, you should carefully review all fund information and objectives and consult with your investment advisor. Fund materials can be obtained from <https://calpers.csplans.com>.

CalPERS and you — an even stronger team

For more than a decade, CalPERS has been offering the CalPERS 457 Deferred Compensation program. Our commitment to our participants has always remained the same — to provide you financial security, value, low cost and quality customer service.

We are continually seeking to discover enhancement opportunities that will not only benefit you, but those who will participate in the future. We continue to leverage our financial strength, experience and world-class investment management to keep costs low and provide you access to unique investment options found nowhere else. The CalPERS approach to plan and investment design remains solid, reflecting our goal to offer a simple means of creating a diversified investment portfolio based on the principles that smart investors use.

CalPERS is pleased to announce that coming in May you will have:

- Enhanced fund line-up
- Lower fees
- New account management services

All to help make investing for your retirement even better!

Your New Investment Line-up

From the expanded line-up you will gain more effective asset class coverage to create a tailored portfolio based on age, risk tolerance, time of distribution and market conditions.

- **9 core funds**
 - fully diversified range of funds
 - both active and passive funds
 - covering all asset class
- **2 styles of asset allocation funds**
 - for those who prefer to take a less active role
 - risk-based funds — three options
 - retirement-date funds — five options

New Fund Line-up

SSgA Stable Fixed Income Fund
CalPERS Treasury Inflation Protected Securities Fund
CalPERS Total Return Bond Fund
CalPERS S&P 500 Equity Index Fund
Turner Active Large Cap Equity Growth Fund
AllianceBernstein Active Large Cap Equity Value Fund

CalPERS Small & Mid Cap Equity Index Fund
CalPERS International Index Fund
SSgA Select Active International Fund

SSgA Conservative Asset Allocation Fund
SSgA Moderate Asset Allocation Fund
SSgA Aggressive Asset Allocation Fund

SSgA Target Retirement Income Fund
SSgA Target Retirement 2010 Fund
SSgA Target Retirement 2020 Fund
SSgA Target Retirement 2030 Fund
SSgA Target Retirement 2040 Fund

Self-Managed Brokerage Account

For those of you using the Self-Managed Account option, it will be business as usual. Your fund selections will remain unchanged and you will still be able to access FDIC-insured Certificates of Deposit.

For more information on the new funds, please visit: <https://calpers.csplans.com>.

Over time, we will also be introducing five new CalPERS-managed funds, including both a growth and value fund in the small/mid-cap category. The asset-allocation and retirement date funds will eventually be transitioned to CalPERS-managed funds to further leverage CalPERS strengths, and low pricing structure.

Lower costs — along with full fee disclosure benefits everyone

Minimizing expenses remains an objective of CalPERS. And, for you, lower costs let you keep more of your investments working, accumulating more savings over a lifetime toward a secure retirement. With the transition to the new funds you will continue to benefit from CalPERS:

- Superior economies of scale to keep costs low
- Simple fee structure
- Lower fees — new average weighted fee of 0.53% vs. 0.66% currently
 - A 20% reduction in the total average weighted fee
 - Total Plan costs continue to be under 1%

New services make account management even easier!

CalPERS searches for ways to make your account information more accessible and account management more streamlined through the increased use of technology. New features are being added to help you keep your account weighted to the asset allocation model that you designate.

Online and through the Interactive Voice Response System (IVR)

- **Automatic Rebalancing** — to help keep your account weighted to your original asset allocation model, elect to have your account automatically rebalanced quarterly, semi-annually, or annually according to your current investment elections.
- **Reallocation of Existing Balances** — redistribute existing account balances over a series of funds in one simple transfer transaction. This combined transfer out of and into a series of funds will generate one easy-to-read confirmation statement.

Online only

- **Designation of Beneficiary election** — register your Designation of Beneficiary election online to be able to view or make changes to your elections in the future.

CalPERS — helping participants become smart investors

- 24/7 account information and management online or through the IVR
- Experienced retirement educators to help you achieve your retirement goals
- Access to financial learning resources
 - Tools for retirement planning, personal finance, estate planning and family finance

Watch your mailbox! You have been mailed a brochure detailing the exciting enhancements coming to the Plan. For more information visit <https://calpers.csplans.com>.

CalPERS – makes doing business easy

<https://calpers.csplans.com> — log on 24/7* to:

- Monitor your account balance, manage your investments and transfer money among funds
- Change your contribution amounts
- See how your funds are performing
- View, download, and print account statements, including up to 18 months of the most recent history
- Download your account data to Quicken® and Microsoft® Money
- Keep up-to-date on Plan rules and download forms

* Excluding any period of time dedicated to scheduled standard system maintenance.

Are you ready for the Quiet Period?

To implement the restructuring of the fund line-up, we will need to enter a "quiet period" beginning on Friday, May 4, 2007 at 1:00 p.m. Pacific Time and ending on Monday, May 7, 2007 at 6:00 a.m. Pacific Time.

The conversion to the new funds will happen automatically, you don't need to take any action. Your savings will remain fully invested. There is no need for concern that your funds will be "out of the market" at any time.

All future contributions will be made into the new funds.

If you wish to make changes to your portfolio or change your fund elections, please visit <https://calpers.csplans.com> before the quiet period begins or after it has ended.

Quiet Period

Remember — If you want to make changes to your account before the transition period begins, you must complete your transactions before 1:00 p.m. Pacific Time on Friday, May 4, 2007.

May 4, 2007

Quiet Period Begins at 1:00 p.m. Pacific Time

- Temporary suspension of all account access, including the ability to make transactions
 - Including the ability to make changes to your account, transferring among funds, or requesting withdrawals.
- Conversion of fund assets to the new investment options begins

May 7, 2007

Quiet Period Ends at 6:00 a.m. Pacific Time

- Full access to accounts restored
- All account transactions accessible through:
 - <https://calpers.csplans.com>
 - 1-800-260-0659
- New account management features available
 - Automatic Account Rebalancing
 - Reallocation of Account Balances
 - Online Designation of Beneficiary

QUESTIONS? CALL A PARTICIPANT SERVICE REPRESENTATIVE AT 1-800-260-0659.